Carl Zeiss Meditec Group

Dr. Ludwin Monz, President and CEO
Justus Felix Wehmer, CFO

December 11, 2020

Agenda

- **12M 2019/20 at a Glance**
- Financial Performance
- Focus Topics
- Outlook

COVID-19 pandemic leads to a decline in revenue and earnings

Revenue

- 12M revenue down by -8.5% - significant slowdown during second half year due to impact of COVID-19 pandemic on our customers, particularly in hard-hit countries in Americas & Europe
- Recovery in many countries, particularly in APAC region, towards the end of FY 2019/20

EBIT

- EBIT margin reached 13.3% (prev. year 18.1%)
- EBIT significantly impacted by weak revenue development – high cost-discipline and stable recurring revenue and positive product mix trend prevent a stronger decline
- Adj. EBIT margin amounted to 13.8% (prev. year 18.5%)

EPS

- Earnings per share down in line with EBIT, no significant impact from financial result & taxes

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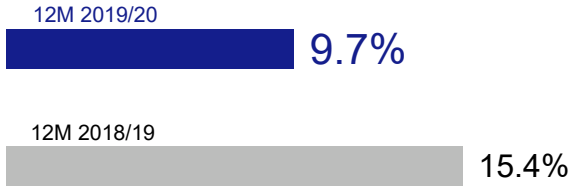
Ophthalmic Devices
Revenue and earnings decline due to significant pandemic impact on our customers

Revenue

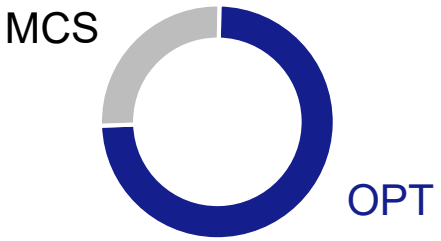
- FX-adj. revenue decline of -7.5%
- Recurring revenue with strong recovery towards end of FY 2019/20

EBIT margin



- EBIT margin down y/y due to negative operating leverage from revenue decline, mitigated by product mix with relatively stable recurring revenue
- Cost discipline and reductions in sales & marketing expenses further helped mitigate impact of top line decline

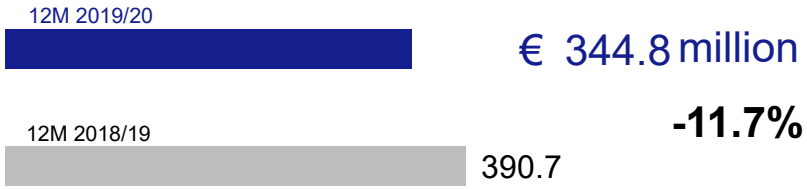
Revenue Split



74.2%
of total revenue

Microsurgery
Revenue impacted by COVID-19 restrictions – slower recovery expected

Revenue

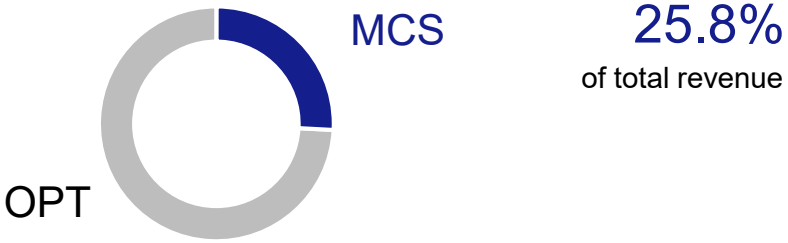


- FX-adj. revenue decline of -12.1%
- Significant decline particularly in second half 2019/20 compared to strong PY period
- Return to growth is expected to take longer than for OPT

EBIT margin

- EBIT margin remains at strong level supported by disciplined cost management in manufacturing and sales & marketing

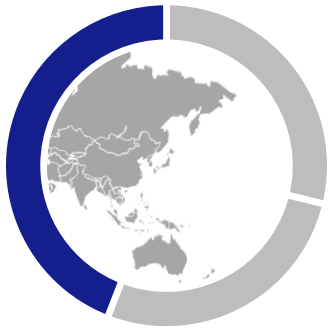
Revenue Split



Robust APAC performance supported mainly by China and South Korea not enough to offset declines in EMEA and Americas region

28.8%
Americas

27.1%
EMEA

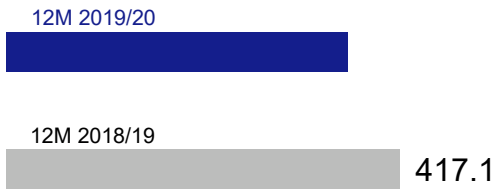


44.1%
APAC

€384.0 million
-13.2%

Americas

- FX-adj. revenue decline of -13.8%
- US showed a significant decline in H2 against strong PY period



€362.4 million
-13.1%

EMEA

- FX-adj. revenue decline of -12.7%
- Strongest sales declines in Great Britain, France, Middle East and North Africa distributor markets
- Solid development in Germany, Nordics

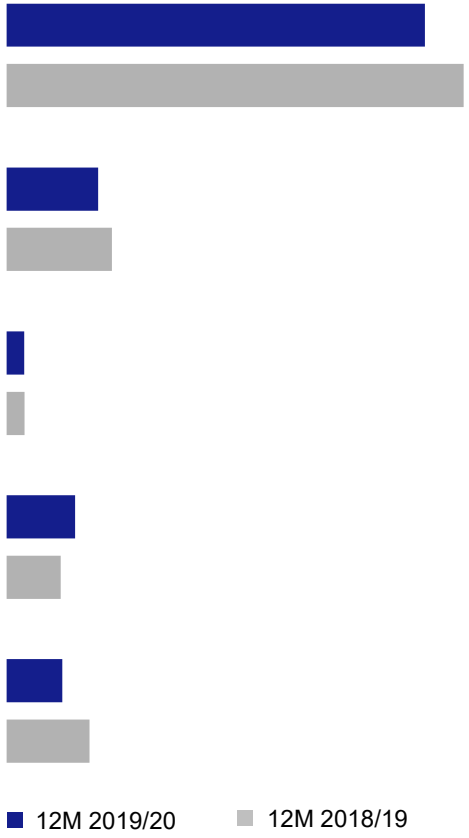
€589.0 million
-1.8%

APAC

- Revenue nearly on previous year's level (FX-adj. -2.3%)
- Revenue was supported by robust performance in key markets of China and South Korea
- Japan and India clearly below PY

Headwind to EBIT margin due to negative operating leverage - partly offset by stable recurring revenue and cost measures

Income Statement



	in € million	in % of sales
Gross profit	1,335.5	55.8
	1,459.3	57.0
Selling & marketing expenses	292.8	21.9
	336.2	23.0
General admin. expenses	56.3	4.2
	57.7	4.0
R&D expenses	218.8	16.4
	173.3	11.9
EBIT [adj.]	177.6 [183.8]	13.3 [13.8]
	264.7 [269.8]	18.1 [18.5]

- Only limited decline in gross margin despite negative operating leverage due to stable recurring revenue
- Strong operating cost controls implemented, leading to significant cost reductions vs PY, mainly in sales & marketing
- Sharp increase in R&D expenses in line with our strategic planning – previous year included a higher level of R&D capitalization (delta: ~ €13 million)
- Long-term objectives in R&D: focus on digital transformation and Surgical Ophthalmology roadmap – independent of COVID-19 impact

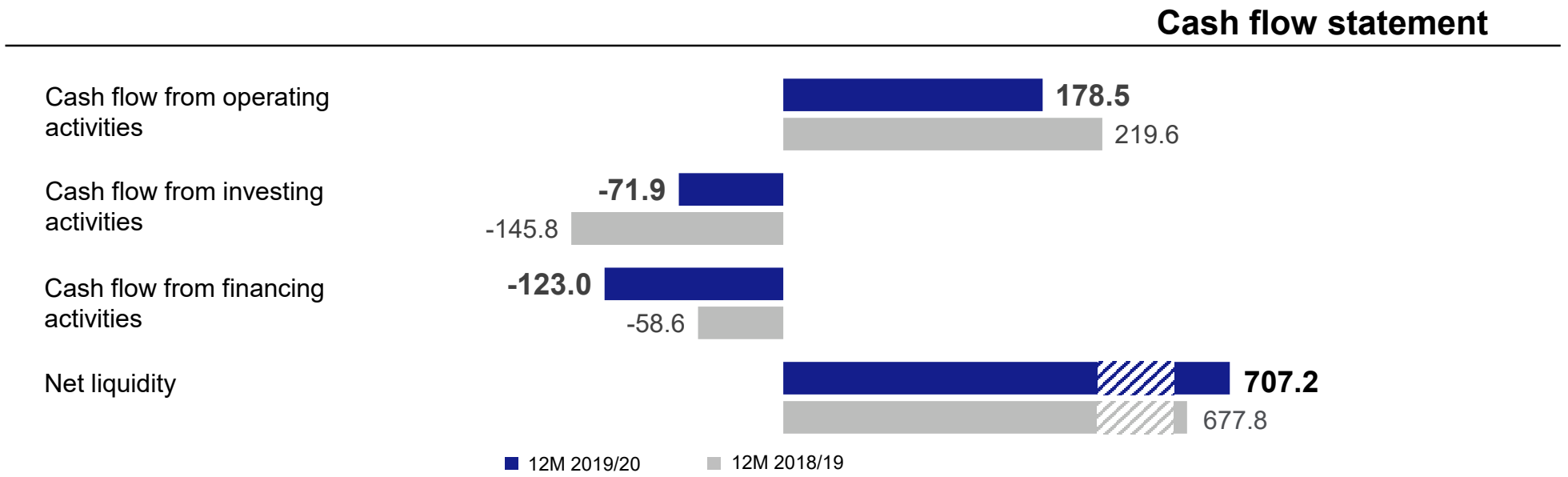
Adjusted EBIT Margin amounted to 13.8%

Adjusted EBIT margin

	12M 2019/20 € million	12M 2018/19 € million	Change to PY %
EBIT	**177.6**	264.7	- 32.9
Acquisition-related special effects	**6.2**	5.1	
Adjusted EBIT	**183.8**	269.8	- 31.9
Adjusted EBIT in % of revenue	**13.8%**	18.5%	-4.7% pts.

- Mainly non-cash charges related to the acquisitions of Aaren Scientific, Inc. and IanTech, Inc.

Operating cash-flow remains solid despite sharp earnings decline due to strict management of net working capital



- **Operating cash flow** declined compared to prev. year partly due mainly to lower operating earnings as well as an increase in safety stocks of certain products and components to secure deliveries in the context of the COVID-19 pandemic.
- Strict working capital management helped to avoid a material impact on trade receivables and inventory levels from COVID-19 pandemic
- **Cash flow from investing activities** in the previous year mainly influenced by acquisition of IanTECH, Inc., in current period including capacity expansion in surgical business. **Cash outflow from financing** due to increased deposits at Group Treasury.
- Net liquidity at record high of € 707.2 million

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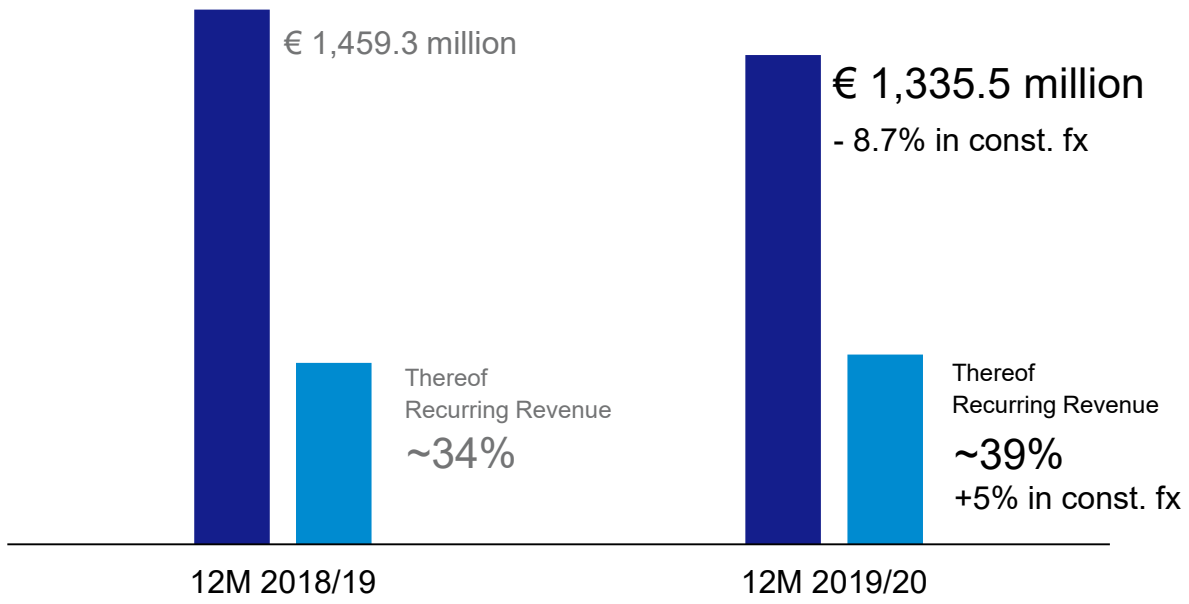
Recurring Revenue at new record high in FY 2019/20

Revenue development vs. last year



Recurring Revenue[1)] has reached a new record level of around 39%

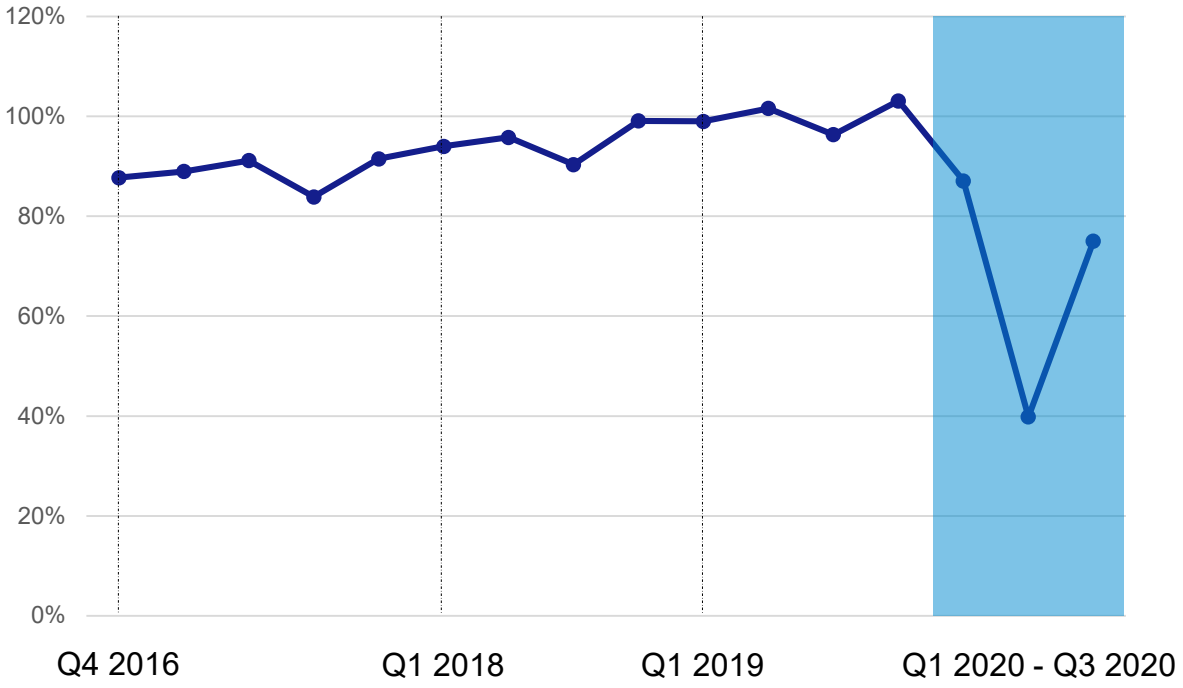
- Slight growth of recurring revenues y/y of +5% (in const. fx) to a new record high of 39%
- Stable contribution from Service business in otherwise difficult year for equipment sales

[1)] Recurring Revenue contains surgical consumables (IOLs, Refractive Treatment Packs, Drapes, Cassettes & Accessories) and Service.

Global cataract surgeries dropped significantly in 2020 and have only partially recovered

Global IOL[1)] volumes vs. 2019 avg. baseline

(Calendar quarters)



Steep drop in the number of IOL implantations in 2020 followed by a partial recovery

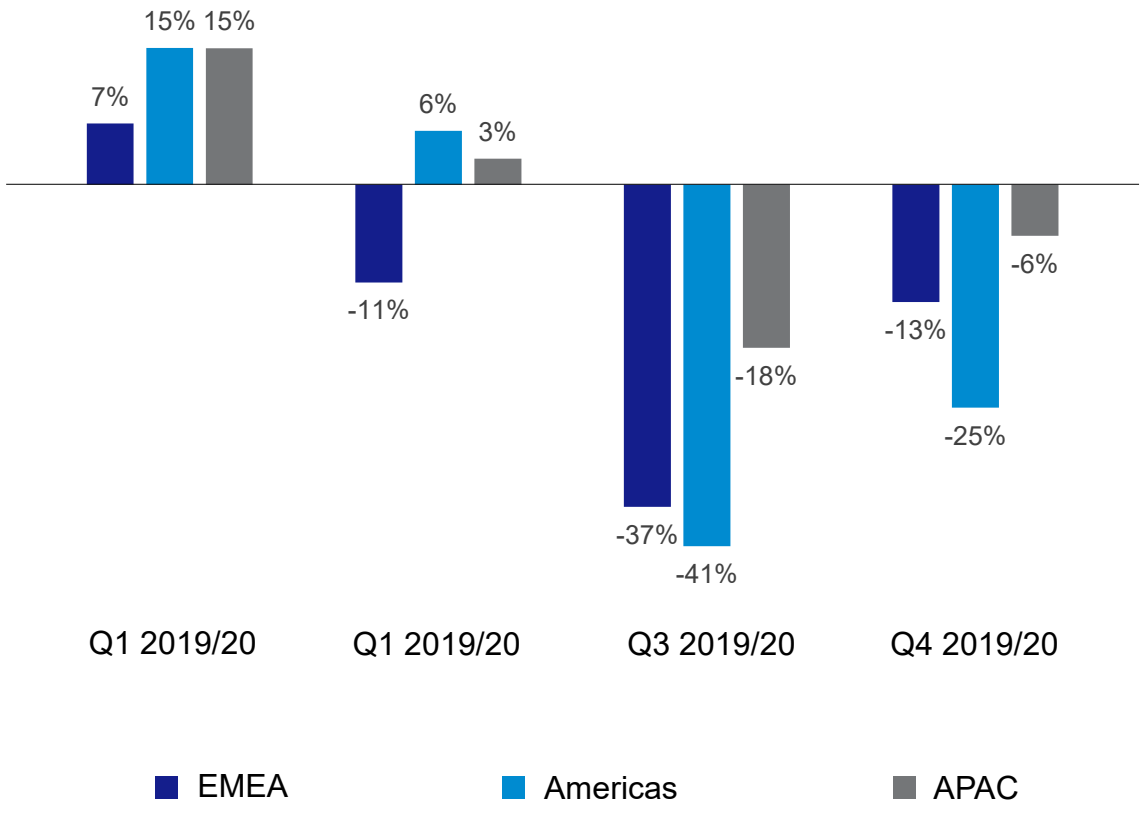
- Ban on elective surgeries across world regions in spring of 2020 led to the most severe decline in cataract procedures on record
- Speed of recovery very different across geographies, with APAC countries in the lead
- Second COVID-19 wave in Europe with some impact on procedures in very hard-hit countries, but on lesser scale compared to the spring lockdowns

[1)] Intraocular lenses

Source: MarketScope, Company's own estimates;100% = 2019 avg. quarterly volume of EUR 6.8m units

Strong outperformance of APAC region throughout FY 2019/20

Quarterly regional y/y growth rates throughout FY 2019/20



APAC region with consistent strong performance throughout FY 2019/20

- Despite early pandemic impact on China and South Korea, APAC region remained strong throughout the year
- Early recovery in China helped to limit the decline of APAC in Q3 vs. EMEA, Americas
- In Q4 2019/20, all regions were able to narrow the quarterly rate of revenue decline sequentially from Q3

KINEVO 900 nominated for prestigious German „Zukunftspreis“

From left: Dr.-Ing. Michelangelo Masini, Prof. Dr. med. Andreas Raabe und Frank Seitzinger
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DEUTSCHER ZUKUNFTSPREIS
Preis des Bundespräsidenten
für Technik und Innovation

Nomination
Deutscher Zukunftspreis 2020

With its nomination for the Zukunftspreis, the ZEISS KINEVO 900 was one of the top projects.

The KINEVO® 900 robotic visualization system, which improves the efficiency and effectiveness of surgical procedures, is the first ZEISS Medical Technology project to be nominated for the prize.

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Long-Term demand drivers for our business remain in place despite uncertainties around speed of recovery

Favourable Long-Term Trends

Aging of the population and growing affluence

Rising access to health care in RDEs

Increasing information access and awareness

Growing patient load, growing patient expectations

COVID-19 Impact

Surgical procedures have taken a sharp decline but tend to ramp back up fast following end of containment measures

Equipment business expected to need more time to recover to strong pre-crisis levels as clinics need to first and most urgently redesign workflows and cope with patient backlog

Rising relevance of tele-medicine and digital, AI driven solutions for diagnostics and surgery will re-shape ophthalmology, ZEISS needs to continue to invest in digitalization in order to stay on top

FY 2020/21 Outlook

Targeting renewed sales and EBIT growth, though first months of FY 2020/21 still likely below PY

Mid-term return to pre-crisis revenue and profitability (sustainably above 18% EBIT margin) envisaged

Exact duration of recovery remains uncertain

Seeing beyond